

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2001-53, page 489.

Low-income housing credit; satisfactory bond; "bond factor" amounts for the period October through December 2001. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period October through December 2001. This ruling also provides a summary of the bond factor amounts for dispositions occurring during the period January through September 2001.

Rev. Rul. 2001-54, page 490.

LIFO; price indexes; department stores. The September 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, September 30, 2001.

Rev. Rul. 2001-57, page 488.

Gross income; sale of principal residence. If an individual elects under section 311(e) of the Tax Reform Act of 1997 to treat the individual's principal residence as being both sold and reacquired on January 1, 2001, for an amount equal to its fair market value on that date, the individual cannot exclude from gross income under section 121 of the Code any of the gain from the deemed sale.

Rev. Proc. 2001-52, page 491.

Penalties; substantial understatement. Guidance is provided concerning when information shown on a return in accordance with the applicable forms and instructions will be adequate disclosure for purposes of reducing an understatement of income tax under section 6662(d) of the Code.

EXEMPT ORGANIZATIONS

Announcement 2001-113, page 494.

A list is provided of organizations now classified as private foundations.

ADMINISTRATIVE

Notice 2001-69, page 491.

Leave-based donation programs. This notice provides interim guidance on the application of federal income and employment taxes to, and the proper reporting of, payments by employers under certain leave-based donation programs established in the aftermath of the September 11, 2001, terrorist attacks.

Announcement 2001-112, page 494.

This announcement clarifies that, as a result of economic disruptions from the September 11, 2001, terrorist attacks, the Service will permit the redesignation of estimated income tax payments as tax deposits to satisfy obligations to deposit employment taxes and withheld income taxes.

Finding Lists begin on page ii.



Department of the Treasury
Internal Revenue Service

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

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Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 1(h).—Maximum Capital Gains Rate

(Also: § 121)

Gross income; sale of principal residence. If an individual elects under section 311(e) of the Tax Reform Act of 1997 to treat the individual's principal residence as being both sold and reacquired on January 1, 2001, for an amount equal to its fair market value on that date, the individual cannot exclude from gross income under section 121 of the Code any of the gain from the deemed sale.

Rev. Rul. 2001-57

ISSUE

If an individual elects under § 311(e) of the Taxpayer Relief Act of 1997 ("TRA 97"), 1997-4 (Vol. 1) C.B. 1, 49-50, to treat the individual's principal residence as being both sold and reacquired on January 1, 2001, for an amount equal to its fair market value on that date ("§ 311(e) election"), can the individual exclude from gross income under § 121 of the Internal Revenue Code any of the gain resulting from the deemed sale?

FACTS

A makes a § 311(e) election with respect to A's principal residence on A's federal income tax return for the year including January 1, 2001. On January 1, 2001, the residence had a fair market value that was \$250,000 greater than A's basis. If, on that date, A had actually sold the residence for its fair market value, § 121 would have entitled A to exclude from gross income the full \$250,000 of gain realized on the sale.

LAW AND ANALYSIS

Under § 121, a taxpayer may exclude from gross income up to \$250,000 (\$500,000 in the case of certain jointly filed returns) of gain realized on the sale or exchange of property, if that property was owned and used as the taxpayer's principal residence for an aggregate period of two years or more during the 5-year period ending on the date of the sale or exchange. The full exclusion is available only once every two years.

Under § 1(h)(1), gain resulting from the sale or exchange of most capital assets is taxed at a capital gains rate of 20 percent (10 percent for gain otherwise taxed at an ordinary rate of 15 percent or less).

Section 1(h)(2) provides reduced capital gains rates for qualified 5-year gain, generally defined in § 1(h)(9) as "the aggregate long-term capital gain from property held for more than 5 years." Section 1(h)(2)(B) provides that the 20-percent capital gains rate is reduced to 18 percent for qualified 5-year gain resulting from the sale or exchange of property with a holding period beginning after December 31, 2000.

Section 311(e) of TRA 97 allows a non-corporate taxpayer holding a capital asset on January 1, 2001, to elect to treat that asset as having been both sold and reacquired on that date for an amount equal to its fair market value. Thus, if the election is made, the holding period for the asset begins after December 31, 2000, making the asset eligible for the 18-percent rate if it is later sold when the taxpayer has a holding period of more than five years in the asset. Section 311(e)(2)(A) of TRA 97 provides, "Any gain resulting from [a § 311(e) election] shall be treated as received or accrued on the date the asset is treated as sold . . . and shall be recognized notwithstanding any provision of the . . . Code."

Pursuant to A's § 311(e) election, A is deemed to have both sold and reacquired A's principal residence for an amount equal to its fair market value on January 1, 2001. As stated above, § 121 would entitle A to exclude from gross income gain from an actual sale. Thus, the question presented is how to reconcile the requirement that the gain from the deemed sale be "recognized notwithstanding any other provision" of the Code and the mandate in § 121 that "[g]ross income shall not include gain" from a qualifying sale or exchange of a principal residence.

In interpreting an internal revenue statute, it is necessary to infer legislative intent from all of the facts and circumstances. These factors include the role that the provision at issue plays in the structure of the internal revenue law, the statutory language, and all relevant legislative history. See *U.S. v. Amer. Trucking Ass'ns*, 310 U.S. 534, 542-45 (1940); *U.S. v. Dick-*

erson, 310 U.S. 554, 561-62 (1940).

A § 311(e) election confers tax benefits on the electing taxpayer (a holding period that begins after December 31, 2000, and a step-up in basis), but it imposes a tax cost as well (current recognition of gain resulting from any existing appreciation in the asset). Exclusion of the gain from the deemed sale would frustrate this balancing of benefits and burdens. For this reason, the statutory requirement that gain be recognized "notwithstanding any other provision" of the Code necessarily precludes application of the exclusion from gross income under § 121, or else the intended consequences of the mandated recognition (taxation of the gain) would be prevented. The legislative history of the § 311(e) election is consistent with this conclusion. "If the election is made, any gain is recognized (and any loss disallowed)." H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 383 (1997)

HOLDING

If an individual elects under § 311(e) of TRA 97 to treat the individual's principal residence as being both sold and reacquired on January 1, 2001, for an amount equal to its fair market value on that date, the individual cannot exclude from gross income under § 121 any of the gain resulting from the deemed sale.

DRAFTING INFORMATION

The principal author of this revenue ruling is Amy Pfalzgraf of the Office of the Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Ms. Pfalzgraf at (202) 622-7900 (not a toll-free call).

Section 42.—Low-Income Housing Credit

Low-income housing credit; satisfactory bond; "bond factor" amounts for the period October through December 2001. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period October through December

2001. This ruling also provides a summary of the bond factor amounts for dispositions occurring during the period January through September 2001.

Rev. Rul. 2001-53

In Rev. Rul. 90-60 (1990-2 C.B. 4), the Internal Revenue Service provided guidance to taxpayers concerning the general methodology used by the Treasury Department in computing the bond factor amounts used in calculating the amount of bond considered satisfactory by the Secretary under § 42(j)(6) of the

Internal Revenue Code. It further announced that the Secretary would publish in the Internal Revenue Bulletin a table of "bond factor" amounts for dispositions occurring during each calendar month.

Rev. Proc. 99-11 (1999-1 C.B. 275) established a collateral program as an alternative to providing a surety bond for taxpayers to avoid or defer recapture of the low-income housing tax credits under § 42(j)(6). Under this program, taxpayers may establish a Treasury Direct Account and pledge certain United States Treasury securities to the Internal Revenue Service

as security.

This revenue ruling provides in Table 1 the bond factor amounts for calculating the amount of bond considered satisfactory under § 42(j)(6) or the amount of United States Treasury securities to pledge in a Treasury Direct Account under Rev. Proc. 99-11 for dispositions of qualified low-income buildings or interests therein during the period October through December 2001. Table 1 also provides a summary of the bond factor amounts for dispositions occurring during the period January through September 2001.

<p>Table 1 Rev. Rul. 2001-53 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits</p>															
<p>Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year</p>															
Month of Disposition	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Jan '01	21.53	39.56	54.68	67.46	78.28	81.29	84.62	87.92	91.31	94.99	98.92	103.25	107.67	111.85	112.52
Feb '01	21.53	39.56	54.68	67.46	78.28	81.05	84.36	87.65	91.02	94.68	98.57	102.87	107.22	111.28	112.52
Mar '01	21.53	39.56	54.68	67.46	78.28	80.81	84.11	87.38	90.73	94.37	98.24	102.50	106.80	110.79	112.52
Apr '01	20.36	37.41	51.71	63.80	74.03	75.46	77.76	79.98	82.22	84.67	87.27	90.15	93.01	95.60	97.21
May '01	20.36	37.41	51.71	63.80	74.03	75.25	77.54	79.75	81.98	84.42	87.01	89.87	92.71	95.31	97.21
Jun '01	20.36	37.41	51.71	63.80	74.03	75.05	77.32	79.52	81.75	84.18	86.76	89.61	92.44	95.05	97.21
Jul '01	19.30	35.47	49.02	60.48	70.18	70.27	71.68	72.99	74.30	75.75	77.30	79.07	80.80	82.36	83.98
Aug '01	19.30	35.47	49.02	60.48	70.18	70.09	71.49	72.80	74.10	75.55	77.10	78.86	80.60	82.19	83.98
Sep '01	19.30	35.47	49.02	60.48	70.18	69.91	71.31	72.61	73.91	75.36	76.91	78.67	80.41	82.05	83.98
Oct '01	19.30	35.47	49.02	60.48	70.18	69.73	71.12	72.42	73.72	75.17	76.72	78.48	80.24	81.91	83.98
Nov '01	19.30	35.47	49.02	60.48	70.18	69.55	70.94	72.24	73.54	74.99	76.54	78.31	80.07	81.79	83.98
Dec '01	19.30	35.47	49.02	60.48	70.18	69.38	70.77	72.06	73.36	74.81	76.37	78.14	79.92	81.68	83.98

For a list of bond factor amounts applicable to dispositions occurring during other calendar years, see: Rev. Rul. 98-3 (1998-1 C.B. 248), and Rev. Rul. 2001-2 (2001-2 I.R.B. 255).

DRAFTING INFORMATION

The principal author of this revenue ruling is Gregory N. Doran of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. Doran at (202) 622-3040 (not a toll-free call).

Section 162.—Trade or Business Expenses

26 CFR 1.162-1: Business expenses.

How do federal income and employment taxes apply to payments by employers under certain leave-based donation programs established in the aftermath of the September 11, 2001, terrorist attacks. See Notice 2001-69, page 491.

Section 170.—Charitable, etc., Contributions and Gifts

26 CFR 1.170A-1: Charitable, etc., contributions and gifts; allowance of deduction.

Interim guidance is provided on the application of the rules on charitable deductions in connection with payments by employers under certain leave-based donation programs established in the aftermath of the September 11, 2001, terrorist attacks. See Notice 2001-69, page 491.

Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The September 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores em-

playing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, September 30, 2001.

Rev. Rul. 2001-54

The following Department Store Inventory Price Indexes for September 2001 were issued by the Bureau of Labor Statistics. The indexes are accepted by the

Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46 (1986-2 C.B. 739), for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, September 30, 2001.

The Department Store Inventory Price Indexes are prepared on a national basis

and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

Groups	Sep. 2000	Sep. 2001	Percent Change from Sep. 2000 to Sep. 2001 ¹
1. Piece Goods	496.1	509.9	2.8
2. Domestics and Draperies	609.3	589.1	-3.3
3. Women's and Children's Shoes	660.6	668.9	1.3
4. Men's Shoes	913.6	854.7	-6.4
5. Infants' Wear	633.7	625.4	-1.3
6. Women's Underwear	584.9	571.0	-2.4
7. Women's Hosiery	342.9	356.7	4.0
8. Women's and Girls' Accessories	540.0	557.9	3.3
9. Women's Outerwear and Girls' Wear	400.2	392.0	-2.0
10. Men's Clothing	606.3	578.4	-4.6
11. Men's Furnishings	624.8	603.1	-3.5
12. Boys' Clothing and Furnishings	481.7	477.1	-1.0
13. Jewelry	933.7	899.0	-3.7
14. Notions	788.0	795.0	0.9
15. Toilet Articles and Drugs	969.9	979.9	1.0
16. Furniture and Bedding	707.2	632.8	-10.5
17. Floor Coverings	614.8	622.9	1.3
18. Housewares	777.5	767.5	-1.3
19. Major Appliances	230.6	227.0	-1.6
20. Radio and Television	58.3	52.9	-9.3
21. Recreation and Education ²	92.3	89.3	-3.3
22. Home Improvements ²	128.3	125.6	-2.1
23. Auto Accessories ²	106.5	110.1	3.4
Groups 1 - 15: Soft Goods	600.3	588.6	-1.9
Groups 16 - 20: Durable Goods	438.9	421.2	-4.0
Groups 21 - 23: Misc. Goods ²	99.8	98.3	-1.5
Store Total ³	539.4	526.8	-2.3

¹ Absence of a minus sign before the percentage change in this column signifies a price increase.

² Indexes on a January 1986=100 base.

³ The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Michael Burkom of the Office of Associate Chief Counsel (Income Tax and Ac-

counting). For further information regarding this revenue ruling, contact Mr. Burkom at (202) 622-4930 (not a toll-free call).

Part III. Administrative, Procedural, and Miscellaneous

Treatment of Certain Amounts Paid to Section 170(c) Organizations Under Employer Leave-Based Donation Programs

Notice 2001-69

PURPOSE AND OVERVIEW

In the aftermath of the September 11, 2001, terrorist attacks, a number of employers have adopted or are considering adopting leave-based donation programs, under which employees forgo vacation, sick, or personal leave in exchange for employer contributions of amounts to organizations described in § 170(c) of the Internal Revenue Code. This notice provides interim guidance on the application of income and employment taxes to, and the proper reporting of, payments by employers under these programs. During the period covered by this interim guidance, the Internal Revenue Service and the Treasury Department intend to study whether it may be appropriate to modify the regulations under § 61 to address certain leave-based donation programs.

BACKGROUND

Under general assignment-of-income tax principles, where, pursuant to an agreement or understanding, services are rendered to a person for the benefit of an organization described in § 170(c) and an amount for such services is paid to such organization by the person to whom services are rendered, the amount so paid constitutes income to the person performing the services. Section 1.61-2(c) of the Income Tax Regulations. See also *Lucas v. Earl*, 281 U.S. 111 (1930); Rev. Rul. 58-495 (1958-2 C.B. 27). Under general constructive receipt principles, when income is made available so that the taxpayer may draw upon it at any time, the income is constructively received by the taxpayer unless the taxpayer's control of its receipt is subject to substantial limitations or restrictions. Section 1.451-2(a). However, application of assignment-of-income and constructive receipt principles depends on the facts and circumstances of each case. See, e.g., *Commissioner v. Giannini*, 129 F.2d 638 (9th Cir. 1942).

INTERIM GUIDANCE

The Service will not assert that payments made by an employer to an organization described in § 170(c), in exchange for vacation, sick, or personal leave that the employee elects to forgo, constitute gross income or wages of an employee, *provided* that the payments are made to such organizations before January 1, 2003. Similarly, the Service will not assert that the opportunity to make such an election results in constructive receipt of gross income or wages for employees.

Amounts to which this interim guidance applies need not be included in Box 1, 3 (if applicable), or 5 of the Form W-2.

Participating employees may not claim a charitable contribution deduction under § 170 with respect to the value of forgone leave excluded from compensation and wages. In the case of an employer, the Service will not assert that payments made under such programs before January 1, 2003, are deductible under § 170, rather than under § 162.

REQUEST FOR COMMENTS

The Service and the Treasury Department invite comments on the taxation of leave-based donation programs, including comments on whether § 1.61-2(c) should be modified to except certain leave-based donation programs from the assignment-of-income doctrine, and on appropriate limitations to any such exception. Comments are also requested on the application of constructive receipt principles in connection with those programs. Finally, comments are requested on what types of leave-based donation programs employers currently offer.

Comments may be submitted on or before February 1, 2002, to Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20224, Attn: CC:ITA:RU (Notice 2001-69), Room 5226. Submissions may also be sent electronically via the Internet to the following e-mail address: notice.comments@ml.irs.counsel.treas.gov. All materials submitted will be available for public inspection and copying.

FURTHER INFORMATION

For further information, please contact Mr. Sheldon A. Iskow at (202) 622-4920 (not a toll-free call).

26 CFR 601.105: Examination of returns and claims for refund, credit or abatement; determination of correct tax liability. (Also Part I, § 6662.)

Rev. Proc. 2001-52

SECTION 1. PURPOSE

.01 This revenue procedure updates Rev. Proc. 2001-11 (2001-2 I.R.B. 275), and identifies circumstances under which the disclosure on a taxpayer's return of a position with respect to an item is adequate for the purpose of reducing the understatement of income tax under § 6662(d) of the Internal Revenue Code (relating to the substantial understatement aspect of the accuracy-related penalty), and for the purpose of avoiding the preparer penalty under § 6694(a) (relating to understatements due to unrealistic positions). This revenue procedure does not apply with respect to any other penalty provision (including the negligence or disregard provisions of the § 6662 accuracy-related penalty).

.02 This revenue procedure applies to any return filed on 2001 tax forms for a taxable year beginning in 2001, and to any return filed on 2001 tax forms in 2002 for short taxable years beginning in 2002.

SEC. 2. CHANGES FROM REV. PROC. 2001-11

Editorial changes only have been made in updating Rev. Proc. 2001-11.

SEC. 3. BACKGROUND

.01 If § 6662 applies to any portion of an underpayment of tax required to be shown on a return, an amount equal to 20 percent of the portion of the underpayment to which the section applies is added to the tax. (The penalty rate is 40 percent in the case of certain gross valuation misstatements.) Under § 6662(b)(2), § 6662 applies to the portion of an underpayment that is attributable to a substantial understatement of income tax.

.02 Section 6662(d)(1) provides that there is a substantial understatement of income tax if the amount of the understatement exceeds the greater of 10 percent of the amount of tax required to be shown on the return for the taxable year or \$5,000 (\$10,000 in the case of a corporation other than an S corporation or a personal holding company). Section 6662(d)(2) defines an understatement as the excess of the amount of tax required to be shown on the return for the taxable year over the amount of the tax that is shown on the return reduced by any rebate (within the meaning of § 6211(b)(2)).

.03 In the case of an item not attributable to a tax shelter, § 6662(d)(2)(B)(ii) provides that the amount of the understatement is reduced by the portion of the understatement attributable to any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed on the return or on a statement attached to the return, and there is a reasonable basis for the tax treatment of such item by the taxpayer.

.04 In general, this revenue procedure provides guidance in determining when disclosure is adequate for purposes of § 6662(d). For purposes of this revenue procedure, the taxpayer must furnish all required information in accordance with the applicable forms and instructions, and the money amounts entered on these forms must be verifiable. Guidance under § 6662(d) for returns filed for 2000, 1999, and 1998 is provided in Rev. Proc. 2001-11; Rev. Proc. 99-41 (1999-2 C.B. 566); and Rev. Proc. 98-62 (1998-2 C.B. 816), respectively.

SEC. 4. PROCEDURE

.01 Additional disclosure of facts relevant to, or positions taken with respect to, issues involving any of the items set forth below is unnecessary for purposes of reducing any understatement of income tax under § 6662(d), provided that the forms and attachments are completed in a clear manner and in accordance with their instructions. The money amounts entered on the forms must be verifiable, and the information on the return must be disclosed in the manner described below. For purposes of this revenue procedure, a number is verifiable if, on audit, the taxpayer can demonstrate the origin of the

number (even if that number is not ultimately accepted by the Internal Revenue Service) and the taxpayer can show good faith in entering that number on the applicable form.

(1) Form 1040, Schedule A, Itemized Deductions:

(a) Medical and Dental Expenses: Complete lines 1 through 4, supplying all required information.

(b) Taxes: Complete lines 5 through 9, supplying all required information. Line 8 must list each type of tax and the amount paid.

(c) Interest Expense: Complete lines 10 through 14, supplying all required information. This section 4.01(1)(c) does not apply to (i) amounts disallowed under § 163(d) unless Form 4952, *Investment Interest Expense Deduction*, is completed, or (ii) amounts disallowed under § 265.

(d) Contributions: Complete lines 15 through 18, supplying all required information. Merely entering the amount of the donation on Schedule A, however, will not constitute adequate disclosure if the taxpayer receives a substantial benefit from the donation shown. If a contribution of property other than cash is made and the amount claimed as a deduction exceeds \$500, a properly completed Form 8283, *Noncash Charitable Contributions*, must be attached to the return. This section 4.01(1)(d) will not apply to any contribution of \$250 or more unless the contemporaneous written acknowledgment requirement of § 170(f)(8) is satisfied.

(e) Casualty and Theft Losses: Complete Form 4684, *Casualties and Thefts*, and attach to the return. Each item or article for which a casualty or theft loss is claimed must be listed on Form 4684.

(2) Certain Trade or Business Expenses (including, for purposes of this section 4.01(2), the following six expenses as they relate to the rental of property):

(a) Casualty and Theft Losses: The procedure outlined in section 4.01(1)(e) above must be followed.

(b) Legal Expenses: The amount claimed must be stated. This section 4.01(2)(b) does not apply, however, to amounts properly characterized as capital expenditures, personal expenses, or non-deductible lobbying or political expenditures, including amounts that are required

to be (or that are) amortized over a period of years.

(c) Specific Bad Debt Charge-off: The amount written off must be stated.

(d) Reasonableness of Officers' Compensation: Form 1120, Schedule E, Compensation of Officers, must be completed when required by its instructions. The time devoted to business must be expressed as a percentage as opposed to "part" or "as needed." This section 4.01(2)(d) does not apply to "golden parachute" payments, as defined under § 280G. This section 4.01(2)(d) will not apply to the extent that remuneration paid or incurred exceeds the \$1 million-employee-remuneration limitation, if applicable.

(e) Repair Expenses: The amount claimed must be stated. This section 4.01(2)(e) does not apply, however, to any repair expenses properly characterized as capital expenditures or personal expenses.

(f) Taxes (other than foreign taxes): The amount claimed must be stated.

(3) Form 1120, Schedule M-1, Reconciliation of Income (Loss) per Books With Income per Return, provided:

(a) The amount of the deviation from the financial books and records is not the result of a computation that includes the netting of items; and

(b) The information provided reasonably may be expected to apprise the Internal Revenue Service of the nature of the potential controversy concerning the tax treatment of the item.

(4) Foreign Tax Items:

(a) International Boycott Transactions: Transactions disclosed on Form 5713, International Boycott Report.

(b) Treaty-Based Return Position: Transactions and amounts under § 6114 or § 7701(b) as disclosed on Form 8833, *Treaty-Based Return Position Disclosure*.

(5) Other:

(a) Moving Expenses: Complete Form 3903, *Moving Expenses*, and attach to the return.

(b) Employee Business Expenses: Complete Form 2106, *Employee Business Expenses*, or Form 2106-EZ, *Unreimbursed Employee Business Expenses*, and attach to the return. This section 4.01(5)(b) does not apply to club dues, or to travel expenses for any non-employee accompanying the taxpayer on the trip.

(c) Fuels Credit: Complete Form 4136, *Credit for Federal Tax Paid on Fuels*, and attach to the return.

(d) Investment Credit: Complete Form 3468, *Investment Credit*, and attach to the return.

SEC. 5. EFFECTIVE DATE

This revenue procedure applies to any return filed on 2001 tax forms for a tax-

able year beginning in 2001, and to any return filed on 2001 tax forms in 2002 for short taxable years beginning in 2002.

SEC. 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Willie Armstrong, Jr. of the Office of Associate Chief Counsel, Procedure & Administration (Administrative Provisions & Judicial Practice Division).

For further information regarding this revenue procedure, contact Branch 2 of the Administrative Provisions & Judicial Practice Division at (202) 622-4940 (not a toll-free call).

Part IV. Items of General Interest

Redesignation of Estimated Income Tax Payments

Announcement 2001-112

Many taxpayers have informed the Internal Revenue Service (IRS) that their income for the current year will be substantially less than previously expected because of economic disruptions resulting from the September 11, 2001, terrorist attacks. Some taxpayers who made estimated income tax payments now believe their tax liability for their current taxable year will be lower than the sum of the estimated tax payments they have already made. Several of these taxpayers have asked whether the IRS will permit them to redesignate their estimated income tax payments, in whole or in part, as deposits to satisfy their obligations to deposit employment and withheld income taxes.

This announcement clarifies that the IRS will permit the redesignation of estimated income tax payments as tax deposits to satisfy obligations to deposit employment taxes imposed by chapters 21, 22, and 23 of the Internal Revenue Code, and income taxes withheld under chapter 24. To make this redesignation, a taxpayer should contact the IRS through its Disaster Relief toll-free telephone number 1-866-562-5227.

Taxpayers who wish to redesignate their estimated tax payments should keep in mind their estimated income tax obligations. If, as a result of the redesignation, the amount of estimated tax payments is reduced below the amount required to satisfy the taxpayer's estimated income tax obligation, the taxpayer may be liable for additions to tax under section 6654 or 6655.

Foundations Status of Certain Organizations

Announcement 2001-113

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List

of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

Former Public Charities. The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

Aaron Kritz Music Foundation,
Chicago, IL
Abundant Grace, Inc., Longmont, CO
Aid for the Homeless and Children, Inc.,
Littleton, CO
Alice G Reynolds Memorial Fund,
Denver, CO
Alliance for Donor Insemination
Families, Inc., Englewood, CO
American Coordination Center of the
Sovereign Military Order of Malta,
Inc., Coral Gables, FL
American Institute of Technology,
Littleton, CO
Antonia and Vladimer Kulaev Cultural
Heritage Fund, Inc., Los Angeles, CA
Appropriate Technology, Incorporated,
Ogallala, NE
Area 76 Alcoholics Anonymous,
Casper, WY
Arklight Ministries, Woodland Hills, CA
Arrowhead Housing Development Fund
Company, Inc., Dunkirk, NY
Arvada Youth Foundation, Inc.,
Arvada, CO
Bainbridge-Guilford PTO, Inc.,
Bainbridge, NY
Balanced Transportation Education,
Denver, CO
Blue Angels Cheerleaders, Denver, CO
Bolder Options, Boulder, CO
Branyon Workshop, Ltd,
Amagansett, NY
Buffalo Girls Productions, Inc.,
Moscow, ID
Cain Family Day Care, Inc.,
South Bay, FL
Camden County Education Foundation,
Inc., Camden SC
Casper World War II Commemorative
Association, Casper, WY

Catskill Mountain Wolf Center,
Athens, NY
Centennial Rural Development Project,
Alpine, TX
Changeology Learning Centre,
Colorado Springs, CO
Cheyenne Gospel Mission,
Cheyenne, WY
Children's Rights Project, Inc.,
Baltimore, MD
Childrens Village Management, Inc., An
Idaho Non Profit Corporation,
Coeur Dalene, ID
Christian Outreach for Pastors,
Anaheim Hills, CA
Club Zion Ministries, Hanford, CA
Colorado Capitol Preservation Fund,
Golden, CO
Colorado Herpetological Society,
Denver, CO
Colorado Knights Templar Foundation,
Denver, CO
Colorado Longball Youth Softball, Inc.,
Englewood, CO
Colorado Meeting Place, Denver, CO
Colorado Solar Racers, Inc.,
Denver, CO
Commercial Fisherman Memorial, Inc.,
Port Washington, WI
Conejos Parks Education & Heritage
Foundation, Romeo, CO
Conifer Basketball Association,
Conifer, CO
Consumer Advisory Services,
Snoqualmie, WA
Crawford Creative Alliance,
Crawford, CO
Creek Court Club, Englewood, CO
Crosslink International Ministries,
Silver Creek, CO
Crossroads Lodestar, Corporation,
Falcon, CO
Crusades for Kids, Inc., Boise, ID
Currier International Foundation, Inc.,
Pasadena, CA
Dear Old Cu Fund, Inc., Littleton, CO
Denver Metro Association of
Evangelicals, Thornton, CO
Denver Million Man March Coalition,
Denver, CO
Designing Brighter Tomorrows, Inc.,
Denver, CO
Diannes Day Care & Christian Schools,
Gardena, CA
DML & Associates Foundation A
Housing Corporation, Tarzana, CA

Dolphin Human Research, Inc.,
 Miami, FL
 Drug Free Events, Inc.,
 Colorado Springs, CO
 Ebenezer Enhancement, Corp.,
 Augusta, GA
 Education Project of Maya Children in
 Guatemala, Denver, CO
 Erie Senior Citizens Fund, Erie, CO
 Esa Indah, Redlands, CA
 Essence of Enhancement, Inc.,
 Denver, CO
 Everybody Wins, Federal Way, WA
 Facing our Childrens Urban Situation
 Foundation, Inc., Franklin Lakes, NJ
 Family Empowerment Center, Inc.,
 Grand Junction, CO
 Family Learning Tree, Inc., Decatur, GA
 Family Life Foundation, Englewood, CO
 Feyda, Inc., Aurora, CO
 Film the Bible Ministries, Inc.,
 Tamarac, FL
 Finding Hope, Incorporated,
 Colorado Springs, CO
 Fire Safety Educators of Colorado, Inc.,
 Denver, CO
 Firebrand Ministries, Inc., Ft. Worth, TX
 Foresight Affordable Housing, Inc.,
 Rockville, MD
 Foresight Affordable Housing-
 Ridgewood Park, Inc., Rockville, MD
 Foundation for Justice and Democracy in
 Latin America, Washington, DC
 Foundation of the Florida Chapter of the
 American College of Cardiology,
 Tampa, FL
 Foxview Preservation Corporation,
 Chicago, IL
 Friends of Hospice Fremont County,
 Canon City, CO
 Friends of the South Routt Library
 District, Yampa, CO
 Front Range Dolphins Swim Club,
 Thornton, CO
 Frontier Mission Foundation,
 Mount Lake Terrace, WA
 Frontier Pathways Scenic Byway, Inc.,
 Westcliffe, CO
 Gods Way Ministry, Houston, TX
 Good Samaritan Childrens Mission, Inc.,
 Sugarland, TX
 Grant Street Development Corporation,
 Homestead, PA
 Greater Erie County Marketing Group
 Community Urban Redevelopment
 Corp., Sandusky, OH
 Greater Reading Development
 Corporation, Reading, PA
 Hands on Childrens Museum, Inc.,
 Ridgewood, NJ
 Haymarket Historical Foundation,
 Haymarket, VA
 Healing Images Artfest Association,
 Colorado Springs, CO
 Heritage Lacrosse Club, Inc.,
 Littleton, CO
 Higgins Diggins Lions Trust,
 Auburn, CA
 Home for the Future Hope,
 Washington, DC
 House of Joy, Inc., Indian Springs, AL
 Hudsons River Project Corp.,
 New York, NY
 Hugh A Martin Memorial Scholarship
 Fund, Colorado Springs, CO
 Human Rights Interactive Network,
 Antelope, CA
 Idaho Dance Classic, Meridian, ID
 Imagination Station, Marina Del Rey, CA
 Imani House, Inc., Houston, TX
 Inkatha Foundation for the Arts,
 Las Vegas, NV
 Institute for Trauma of Colorado, Inc.,
 Colorado Springs, CO
 Integral Health Foundation, Inc.,
 Rockville, MD
 Irish Arts Foundation of Kentucky, Inc.,
 Louisville, KY
 Jairus, Inc., Hilo, HI
 Jami Breedlove Ministries, Loveland, CO
 Janrus, Incorporated, Harvey, LA
 J H Machina, Inc., Boulder, CO
 Jim McQueen Ministries, Inc.,
 Ridgway, CO
 J Morris Center for Children with Special
 Needs LTD, St Louis, MO
 Jobscomp Educational Services
 Corporation, Columbia, MD
 K & A Sports Alliance, Inc.,
 W Jordan, UT
 Kids One, Inc., Larkspur, CA
 Kuumba Project, Inc., Milwaukee, WI
 La Comunidad, Westminster, CO
 La Puente Enterprises, Inc., Alamosa, CO
 Larry G. Huss Scholarship Memorial,
 Inc., Appleton, WI
 Legacy for Learning, Denver, CO
 Lida Project, Denver, CO
 Life Light Drug Free International, Inc.,
 Lumberton, NC
 Lillian Leppe & Augusto Mauro
 Memorial Foundation, Inc.,
 New York, NY
 Lytton Research and Analysis,
 Sandpoint, ID
 Mainstreet Roswell, Inc., Roswell, NM
 Max Dream, Springfield, VT
 Medicine Wheel Story Tellers Institute of
 the Arts, Douglas, WY
 Mel Berg Ministries, Inc.,
 Westminster, CO
 Metropolitan Community Resource
 Center, Pasadena, CA
 Mezzo Consortium, Inc., Boise, ID
 Ministry Resources International,
 Englewood, CO
 Morey Organization Scholarship Trust
 Fund, Wildwood, NJ
 Moscow Parents Womens Fastpitch
 Softball Association, Moscow, ID
 Mountain International Exchange, Inc.,
 Denver, CO
 Musicmedicine Institute, Chicago, IL
 National Association of Shooting Sports
 Athletes, Colorado Springs, CO
 Native American Prisoners Support
 Group, Inc., Buena Vista, CO
 NBC-USA Housing, Inc., Thirty,
 Newark, OH
 North Metro Gang Task Force, Inc.,
 Westminster, CO
 Nourishment Education Foundation,
 Boulder, CO
 Oasis World Mission, West Monroe, LA
 Oklahoma Investment Forum
 Educational Foundation, Tulsa, OK
 Open Arms International, Arlington, VA
 Orenda, Santa Fe, NM
 Panini Foundation, Westerville, OH
 Peers, Denver, CO
 Pentecostal Assembly Commitment to
 Empowerment, Restoration and
 Service, Inc., Jackson, TN
 Pets are Wonderful Support for People
 with Aids-Arc, Denver, CO
 Platte County Science Education &
 Research Foundation, Wheatland, WY
 Policemen-Firemen Killed in Action,
 Inc., Carmen, ID
 Promised Land Ministries, Denver, CO
 Promised Land's Development and
 Redevelopment Corporation,
 Cincinnati, OH
 Pueblo Flyers, Inc., Pueblo, CO
 PWA Center, Corp., Honolulu, HI
 Reclaiming Easter International USA,
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 Righteousness & Praise Ministries, Inc.,
 Peyton, CO
 Rita Leahy Manning Charitable Trust,
 Southwick, MA
 Robert Victor Sager & Beatrice Mintz
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Safe Haven Animal Sanctuary, Inc.,
 Boca Raton, FL
 San Pedro Charity Foundation,
 Houston, TX
 Save a Child, Incorporated,
 Denver, CO
 Senior Resource Council, Inc.,
 Colorado Springs, CO
 Shakespeare Marionette Company,
 Chicago, IL
 Shekhina House, Boulder, CO
 Shining Mountains Center for
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 Shoshone County Substance Abuse
 Council, Inc., Wallace, ID
 Sillca Syndrome Reach Corporation,
 Idaho Falls, ID
 Simone Institute for Women, Denver, CO
 Sisters Organizational Services,
 Gardena, CA
 Soli Deo Gloria, Ltd., Eau Claire, WI
 Southeast Colorado Crime Stoppers,
 Lamar, CO
 Southside Nondenominational
 Fellowship, Inc., Fort Wayne, IN
 Story Gleaner, Evergreen, CO
 Street Project, Inc., New York, NY
 Strykers Field Charitable Foundation,
 Wichita, KS
 Students Hope, Inc., Denver, CO
 Superior Image Economic Development
 Corporation, Rialto, CA
 Survivors of Violence, Westminster, CO

Tanner Daily Memorial Scholarship
 Fund, Aspen, CO
 Technology Transfer Solutions,
 Greenwood Village, CO
 Thirteenth-Irving Development
 Corporation, Washington, DC
 Thomas Foundation, Inc., Albany, GA
 Tibetan Childrens Education Foundation,
 Morgantown, WV
 Tolo Mammoth Replica Group, Inc.,
 Grangeville, ID
 Tony Gaines Memorial Fund,
 Denver, CO
 Touch International Missions, Inc.,
 Denton, TX
 Trinidad Access to Informational
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 United Ethiopian Services, Inc.,
 Cambridge, MA
 United Karate Federation of America,
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 United States Council on Veterans
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 Usoc Employee Hardship and Relief
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 Valley Voices, Inc., Modesto, CA
 Warriors of Light, Boulder, CO
 Weiser Soccer Association, Inc.,
 Weiser, ID
 Wendell P Carnefix Memorial
 Scholarship Trust, Fruitland, ID
 Wiconi Waste, Lakewood, CO
 Windows to the Future, Brighton, CO

Wings of Light Foundation,
 Lakewood, CO
 Win-Win Resource Network,
 Evergreen, CO
 Womens Home Improvement,
 Incorporated, Aurora, CO
 World Baseball Card, Corp., Neenah, WI
 Wyoming Buffalo Soldiers Association,
 Ft. Warren AFB, WY
 Your Life Can Change, Gary, IN
 Youth Pops America Foundation,
 Denver, CO
 Youth Social Development Center,
 Denver, CO

If an organization listed above sub-
 mits information that warrants the re-
 newal of its classification as a public
 charity or as a private operating founda-
 tion, the Internal Revenue Service will
 issue a ruling or determination letter
 with the revised classification as to
 foundation status. Grantors and contrib-
 utors may thereafter rely upon such rul-
 ing or determination letter as provided
 in section 1.509(a)-7 of the Income Tax
 Regulations. It is not the practice of the
 Service to announce such revised classi-
 fication of foundation status in the Inter-
 nal Revenue Bulletin.

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and it is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.

Acq.—Acquiescence.

B—Individual.

BE—Beneficiary.

BK—Bank.

B.T.A.—Board of Tax Appeals.

C—Individual.

C.B.—Cumulative Bulletin.

CFR—Code of Federal Regulations.

CI—City.

COOP—Cooperative.

Ct.D.—Court Decision.

CY—County.

D—Decedent.

DC—Dummy Corporation.

DE—Donee.

Del. Order—Delegation Order.

DISC—Domestic International Sales Corporation.

DR—Donor.

E—Estate.

EE—Employee.

E.O.—Executive Order.

ER—Employer.

ERISA—Employee Retirement Income Security Act.

EX—Executor.

F—Fiduciary.

FC—Foreign Country.

FICA—Federal Insurance Contributions Act.

FISC—Foreign International Sales Company.

FPH—Foreign Personal Holding Company.

F.R.—Federal Register.

FUTA—Federal Unemployment Tax Act.

FX—Foreign Corporation.

G.C.M.—Chief Counsel's Memorandum.

GE—Grantee.

GP—General Partner.

GR—Grantor.

IC—Insurance Company.

I.R.B.—Internal Revenue Bulletin.

LE—Lessee.

LP—Limited Partner.

LR—Lessor.

M—Minor.

Nonacq.—Nonacquiescence.

O—Organization.

P—Parent Corporation.

PHC—Personal Holding Company.

PO—Possession of the U.S.

PR—Partner.

PRS—Partnership.

PTE—Prohibited Transaction Exemption.

Pub. L.—Public Law.

REIT—Real Estate Investment Trust.

Rev. Proc.—Revenue Procedure.

Rev. Rul.—Revenue Ruling.

S—Subsidiary.

S.P.R.—Statements of Procedural Rules.

Stat.—Statutes at Large.

T—Target Corporation.

T.C.—Tax Court.

T.D.—Treasury Decision.

TFE—Transferee.

TFR—Transferor.

T.I.R.—Technical Information Release.

TP—Taxpayer.

TR—Trust.

TT—Trustee.

U.S.C.—United States Code.

X—Corporation.

Y—Corporation.

Z—Corporation.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2001–1 through 2001–26 is in Internal Revenue Bulletin 2001–27, dated July 2, 2001.

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